PRICE $25.00

EQUIPMENT DEALERS

1988 COST OF DOING BUSINESS

AGRICULTURAL • INDUSTRIAL • OUTDOOR POWER EQUIPMENT

SALES/MARGINS/EXPENSES/NET PROFIT/FINANCIAL RATIOS
BALANCE SHEET DATA/EMPLOYEE STUDIES

NORTH AMERICAN EQUIPMENT DEALERS ASSOCIATION
10877 WATSON ROAD • ST. LOUIS, MISSOURI 63127 1081

FOREWORD

As in each year since 1947, special questionnaires were mailed early in the year to approximately 8,000 U.S. and Canadian agricultural, industrial and outdoor power equipment dealers. The questionnnaires conform to all of the widely used dealer accounting systems and were designed to secure significant information on departmental sales and margins, a breakdown of dealer overhead, and balance sheet and employee data.

Hundreds of dealers responded in the mail survey, some filling out the questionnaire forms and many others furnishing computer printouts of year-end reports. This publication is made possible only through the cooperation of these dealers and their bookkeepers who took time out of busy schedules to compile the information.

Number of members and participants in each of the ten North American regions (identified on front cover) are listed below:

Region	No. of Dealer-Members	No. of Dealer Participants	Percent of Dealer-Member Participation
Northeast	1,143	99	8.66%
Southeast	985	72	7.31
Corn Belt	1,741	205	11.78
Lake States	970	140	14.43
Northern Plains	502	73	14.54
Middle Plains	660	95	14.39
Southern Plns/Delta	632	63	9.97
Pacific	314	42	13.38
Western Canada	506	71	14.03
Eastern Canada	522	41	7.86
Total	7,975	901	11.30

Dealer Participants by Sales Volume Category
(Agricultural Dealers)

Sales Volume	No. of Dealers	Percent of Total				
	1988	1988	1987	1986	1985	1984
$0 to $1 Million	101	13%	17%	22%	19%	22%
$1 Mil to $2 Mil	242	32	27	34	38	31
$2 Mil to $3 Mil	168	22	22	21	21	22
$3 Mil and Over	267	34	24	23	22	25
Total	901	100	100	100	100	100

In addition to above, 84 industrial dealers and 39 outdoor power dealers responded to the survey.

Combined total retail sales of dealers responding in the survey were in excess of $2,000,000,000.

Separate studies of agricultural, industrial and outdoor power dealers are included. Dealers were classed as agricultural, industrial or outdoor power if 50 percent or more of their equipment sales in the year were these classes of goods.

PERCENTAGE CALCULATIONS

All percentages shown in operating studies are in relation to sales. They are computed by dividing the dollars of margin or expense by sales.

In the case of margins, each item is divided by sales of the particular department to arive at the percentage of margin for the department. Total margin divided by total sales gives the percentage of margin on the composite of all sales.

Percentages shown for expenses are in relation to total sales. Again, the dollar amount for each item is divided by total sales to arrive at the percentage.

Operating percentages are important since they reflect the degree of operating efficiency. These figures are the true test of performance and serve as a sound basis for accurate comparison regardless of sales volume.

Individual dealer financial and operating information is held in strictest confidence at the National Association headquarters. All of the editing and coding of reports are performed "in house" and completely tabulated in NAEDA'S own computer.

HIGHLIGHTS OF
1988 COST OF DOING BUSINESS
North American Agricultural Dealer Averages

Dealership Profitability

Nearly eight hundred agricultural equipment dealers reporting in the 1988 Cost of Doing Business Survey showed results much improved over those for 1987. Both sales and profits were up, with average sales increasing 16 percent and profit (dollars) 44 percent. Profit ratio on sales jumped from 1.92 percent a year ago, to 2.36 percent in fiscal 1988.

In rate of return on investment in 1988, dealers made considerable progress over the previous operating year. Results for the year showed a return of 13.85 percent as compared to 10.55 percent in 1987, indicating a welcome pickup of 3.3 percentage points in the one-year period.

However good these results may appear, dealers still have not achieved the level in this critical measure of profitability that was obtained in 1981. For the average dealer, the rate of return seven years ago was 15.36 percent. This means that in the intervening seven-year period, 1.5 percentage points of return have been lost.

Drought took its toll on dealer operations in some areas of the U.S. and Canada. However, there were many bright spots with some dealers reporting their best year ever. Also, an increasing number of dealers are making 5 percent or better in profit on total sales.

New and Used Equipment

Sales of agricultural equipment were higher in 1988 than in 1987 as shown by the averages of dealers reporting in the current Cost of Doing Business survey. New Equipment sales were up 16.47 percent while Used was up an almost identical 16.60 percent. (Perhaps one fourth or more of these increases are attributable to inflation.)

Dealers also showed better results in margins on farm equipment sales in 1988 than they were able to achieve in 1987. On total sales of New and Used Equipment, the profit margin was 8.04 percent compared to 7.77 percent in the previous year. A slight increase in turnover of equipment inventories was also evident as the result showed 1.87 times turnover in the year compared to 1.81 times in the previous year.

Parts and Service

Dealers showed increases in sales for the second straight year for both Repair Parts and Service Labor. For parts, the increase was 13 percent and for labor, a healthy 18 percent. Disappointingly, the profit margin on parts dropped a half percentage point, going from 28.21 percent down to 27.73 percent.

In service operations, margin trends were on the favorable side with a healthy increase of 2.6 percentage points, going from 43.73 percent of service labor sales in 1987 to 46.33 percent in the current survey.

Total Operating Margin

Better margins on sales of farm equipment and on service labor combined to advance the total margins on sales by .08 percentage points over the previous year. This is the third consecutive year that dealers have had a gain in total profit margins, going from 15.70 percent in 1985 to 15.75 in 1986, 15.94 in 1987, and 16.02 in 1988. While the increases have been small, the trend has been extremely important to dealers as they strive to regain a reasonable profitability on operations.

Profitability vs. Sales Volume Size

Results of the last two years for dealers in farm tractors and equipment seem to prove the larger the sales volume of dealers:

* The lower the percentage of operating margin obtained on total sales, and

* The lower the expense ratio to total sales.

Lower margins and lower expense ratios are tied to the advantage larger dealers have in the break-even point.

Also found in these studies, the larger the sales volume of dealers:

* The higher the return on Net Worth, and

* The lower the ratio of Equity to Total Assets, (or the higher the percentage of the business financed by outside capital).

In Net Profit ratio-to-total sales, the pattern is not clear as the results of the survey a year ago showed the larger the sales volume of dealers, the higher the net profit percentage. However, in the current survey, the highest net profit was achieved by the group of dealers having the smallest sales volume (Group "A").

Interest Expense

Dealers continue to be heavy users of outside capital, particularly in the financing of machinery inventories. If it were not for floor planning of new and used equipment, the Ownership Equity ratio would be substantially increased from the present low levels.

Interest Expense of dealers goes hand-in-hand with the borrowings and continues at the present time to be a major item of expense. This year's ratio of 1.00 percent to total sales is a slight advance over last year's 0.98 percent. Two years ago this item amounted to 1.10 percent of sales, and three years ago it was 1.19.

For the four sales volume groups in the 1988 fiscal year, the interest expense in dollars ranged from an average of $8,600 for the smaller dealers to approximately $43,000 for those having over $3 million in sales.

Salaries and Wages

Total salaries and wages (except service mechanics and other servicemen whose wages are included in cost of sales accounts) paid by the average dealer in 1988 amounted to 5.85 percent of sales. This represents a decrease of 0.15 percentage points from the year prior.

Adding in employee benefits paid for by dealers in the form of group insurance, payroll taxes, and pension costs, the total wage and benefit package amounts to 7.56 percent of sales. A year ago, the total was 7.66 percent, and two years ago it was 7.80.

The trend in wages and benefits in relation to total sales, for some reason, is downward.

Considering only "hired" employees and leaving out salaries of officers and owners, the average total wage and benefit package amounted to 5.81 percent of total sales in the 1988 fiscal year.

The Balance Sheet

Only minor changes occurred in the average dealer balance sheet. Inventories which comprise the bulk of dealer assets were up almost imperceptibly, going from 73.15 percent of Total Assets from the prior year to 73.81 percent in the current survey.

Ownership Equity (which shows how much of a dealer's business is financed by owner capital) was on the decline according to this year's survey. A year ago the equity ratio was 30.75 percent for all dealers while this year the ratio was 29.81 percent of Total Assets.

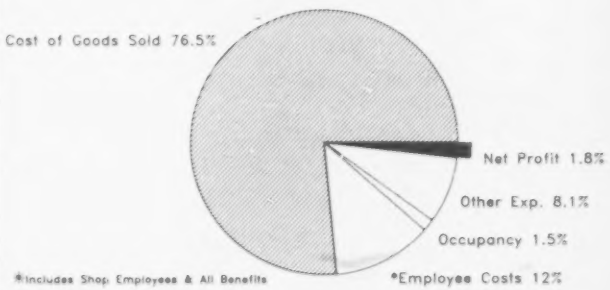
Industrial and Outdoor Power Equipment Dealers

Most of the returns received in the 1988 Cost of Doing Business (approximately 86 percent) were from dealers engaged primarily in the sales of agricultural equipment and with a sideline of outdoor power equipment. Approximately ten percent were engaged primarily in the sale of industrial tractors and equipment; and approximately four percent indicated they were primarily engaged in the sales of outdoor power equipment.

Unfortunately, the few responses received from industrial and outdoor power equipment dealers renders it impossible to tabulate volume group and regional studies. However, national averages for these two groups are presented on pages 6 and 7.

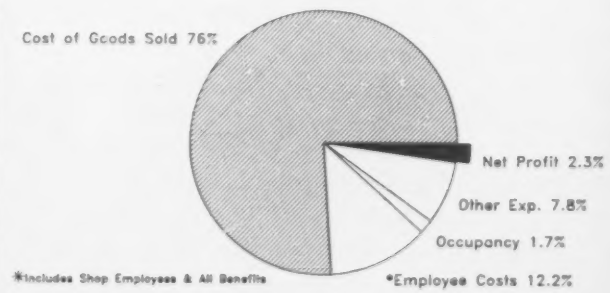
All of the returns were tabulated according to the type of equipment which appeared to be the main business of the dealership. Results for agricultural equipment dealers by volume size and National are presented on page 5; regional studies of successful dealers are on page 10-13.

CONSTRUCTION/INDUSTRIAL/UTILITY DEALERS



Distribution of Gross Revenue

OUTDOOR POWER EQUIPMENT DEALERS



Distribution of Gross Revenue

FIG. 1
DEALER TOTAL SALES TRENDS

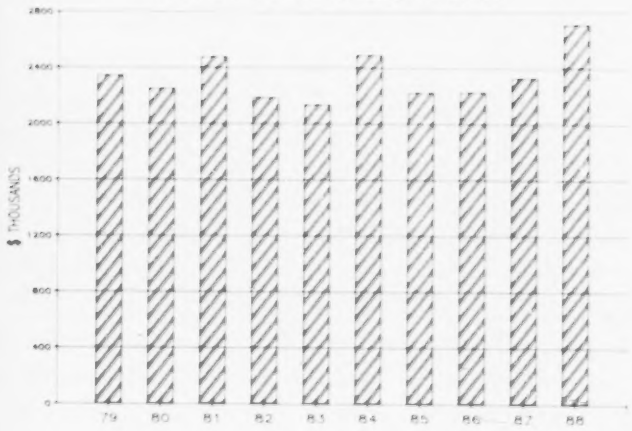


FIG. 2
DEALER MARGIN, EXPENSE & PROFIT TRENDS

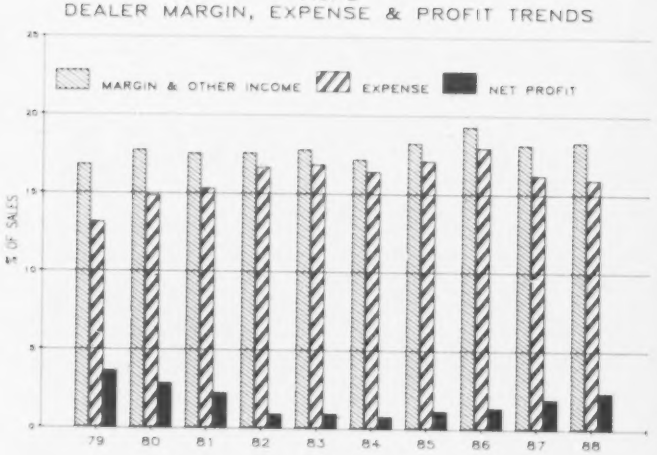


FIG. 3
NEW AND USED EQUIPMENT SALES TRENDS

FIG. 4
PARTS-SERVICE-OTHER SALES TRENDS

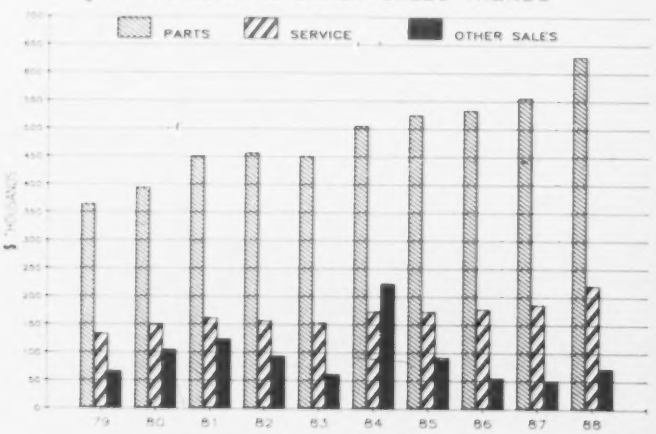


FIG. 5
NEW AND USED EQUIPMENT MARGIN TRENDS

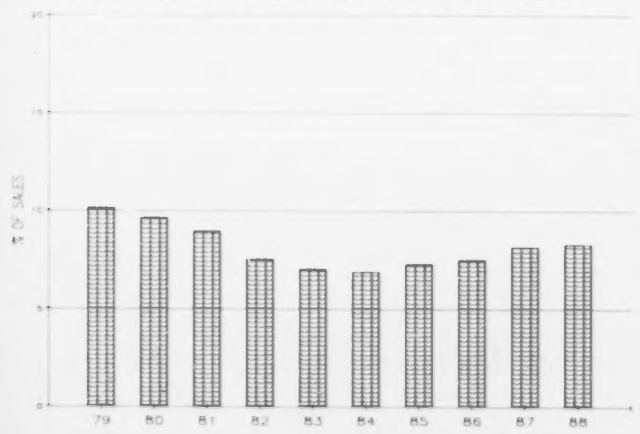
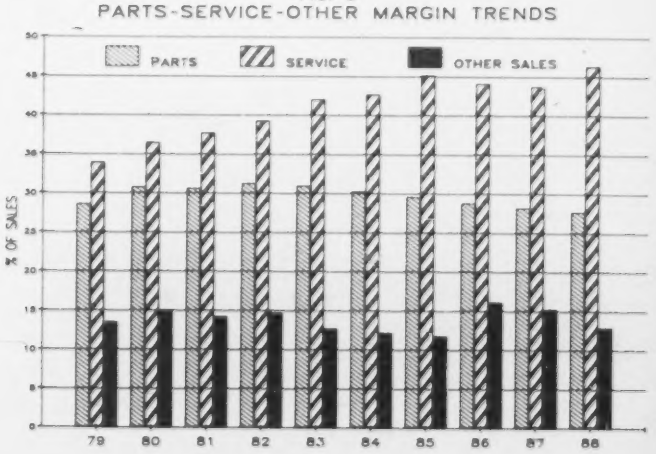


FIG. 6
PARTS-SERVICE-OTHER MARGIN TRENDS



ALL DEALERS
AGRICULTURAL — INDUSTRIAL — OUTDOOR POWER
OPERATING DATA

	AGRICULTURAL DEALERS		INDUSTRIAL DEALERS		OUTDOOR POWER DEALERS	
	Amount	% Sales	Amount	% Sales	Amount	% Sales
SALES						
New Equipment	$1,202,885	44.29	$2,450,591	50.66	$1,037,717	55.37
Used Equipment	572,802	21.09	740,132	15.30	186,096	9.92
Total New and Used	**1,775,687**	**65.38**	**3,190,723**	**65.96**	**1,223,813**	**65.22**
Repair Parts	629,862	23.19	896,439	18.53	387,144	20.63
Service Labor	220,836	8.13	363,190	7.15	120,538	6.42
Other Lines	72,388	2.67	31,580	0.65	124,930	6.66
Rental-Lease Income	17,137	0.63	355,586	7.35	20,117	1.07
TOTAL SALES	**2,715,910**	**100.00**	**4,837,518**	**100.00**	**1,876,542**	**100.00**
MARGINS						
New Equipment	103,234	8.58	263,799	10.76	142,123	13.70
Used Equipment	39,612	6.92	110,959	14.99	24,060	12.93
Total New and Used	**142,846**	**8.04**	**374,758**	**11.75**	**166,183**	**13.58**
Repair Parts	174,660	27.73	258,307	28.81	116,529	30.10
Service Labor	102,323	46.33	163,837	45.11	48,610	40.33
Other Lines	9,349	12.92	5,634	17.84	32,408	25.94
Rental or Lease Income	5,951	34.73	101,916	28.66	11,110	55.23
TOTAL OPERATING MARGIN	**435,129**	**16.02**	**904,452**	**18.70**	**374,840**	**19.98**
EXPENSES						
Salaries — Salesmen	42,894	1.58	115,354	2.38	38,517	2.05
Travel and Training	6,019	0.22	13,322	0.28	4,462	0.24
Advertising and Promotion	19,251	0.71	39,707	0.82	26,908	1.43
After Sales & Warranty Expense	14,904	0.55	23,807	0.49	4,748	0.25
TOTAL SALES EXPENSE	**83,068**	**3.06**	**192,190**	**3.97**	**74,635**	**3.98**
Salaries — Officers, Owners	47,598	1.75	91,308	1.89	41,461	2.21
Salaries — Partsmen	44,673	1.64	70,990	1.47	38,760	2.07
Salaries — Office and Others	24,017	0.88	56,047	1.16	24,846	1.32
Occupancy Expense	37,316	1.37	72,895	1.51	32,879	1.75
Heat, Light, Power, Water	9,314	0.34	13,199	0.27	7,920	0.42
Telephone and Telegraph	8,632	0.32	17,965	0.37	6,526	0.35
Office & Store Exp., and Postage	17,099	0.63	28,933	0.60	11,743	0.63
Shop Supplies and Expense	11,005	0.41	18,104	0.37	6,108	0.33
Car and Truck Expense	22,917	0.84	42,409	0.88	14,499	0.77
Taxes — Except Payroll & Real Estate	4,515	0.17	6,893	0.14	5,985	0.32
Employee Benefits	46,457	1.71	93,444	1.93	40,356	2.15
Dues and Subscriptions	1,025	0.04	2,854	0.06	1,006	0.05
Insurance — Except Group & R.E.	20,589	0.76	41,802	0.86	19,959	1.06
Legal and Auditing	4,390	0.16	10,220	0.21	4,213	0.22
Interest & Bank Chgs — Except R.E.	27,098	1.00	84,155	1.74	25,032	1.33
Depreciation	16,618	0.61	41,959	0.87	7,507	0.40
Bad Debts	5,297	0.20	11,911	0.25	2,160	0.12
Contributions and Miscellaneous	2,443	0.09	4,031	0.08	1,285	0.07
TOTAL EXPENSE	**434,071**	**15.98**	**901,309**	**18.63**	**366,880**	**19.55**
NET PROFIT ON SALES	**1,058**	**0.04**	**3,143**	**0.06**	**7,960**	**0.42**
OTHER INCOME	**63,172**	**2.33**	**87,441**	**1.81**	**35,182**	**1.87**
NET OPERATING PROFIT OR LOSS —Before Income Taxes—	**64,230**	**2.36**	**90,584**	**1.87**	**43,142**	**2.30**

ALL DEALERS
AGRICULTURAL — INDUSTRIAL — OUTDOOR POWER
FINANCIAL/INVENTORIES/PERSONNEL DATA

BALANCE SHEET AVERAGES	AGRICULTURAL DEALERS Amount	AGRICULTURAL DEALERS % Total Assets	INDUSTRIAL DEALERS Amount	INDUSTRIAL DEALERS % Total Assets	OUTDOOR POWER DEALERS Amount	OUTDOOR POWER DEALERS % Total Assets
ASSETS						
Cash and Securities	$ 90,056	5.79	$ 68,535	2.42	$ 40,513	3.58
Customer Receivables	126,227	8.11	314,330	11.11	130,265	11.51
Factory & Other Receivables	19,986	1.28	17,454	0.62	9,320	0.82
TOTAL	**236,269**	**15.18**	**400,319**	**14.15**	**180,098**	**15.91**
INVENTORIES						
New Equipment	673,177	43.25	1,494,963	52.83	520,404	45.98
Used Equipment	199,494	12.82	262,819	9.29	92,476	8.17
Repair Parts	240,322	15.44	258,492	9.13	151,981	13.43
Other Lines	21,169	1.36	4,908	0.17	75,842	6.70
Rental or Lease	14,695	0.94	142,815	5.05	18,167	1.60
TOTAL INVENTORIES	**1,148,857**	**73.81**	**2,163,997**	**76.47**	**858,870**	**75.88**
TOTAL CURRENT ASSETS	**1,385,126**	**88.99**	**2,564,316**	**90.62**	**1,038,968**	**91.79**
Fixed Assets	130,108	8.36	193,159	6.83	68,301	6.03
Finance Reserve and Other Assets	41,184	2.65	72,416	2.56	24,650	2.18
TOTAL ASSETS	**1,556,418**	**100.00**	**2,829,891**	**100.00**	**1,131,919**	**100.00**
LIABILITIES AND NET WORTH						
Current Accounts Payable and Accruals	135,920		250,902		101,645	
Floor Plan Notes Payable	733,696		1,604,788		472,370	
Notes Payable — Bank and Other	67,379		62,822		57,787	
Mortgages and Other Long-Term Debt	155,470		268,750		95,681	
TOTAL LIABILITIES	**1,092,465**	**70.19**	**2,187,262**	**77.29**	**727,483**	**64.27**
Net Worth	463,953	29.81	642,629	22.71	404,436	35.73
TOTAL LIABILITIES AND NET WORTH	**1,556,418**		**2,829,891**		**1,131,919**	
		TIMES TURN		**TIMES TURN**		**TIMES TURN**
INVENTORIES						
New Equipment	$ 673,177	1.63	$1,494,963	1.46	$ 520,404	1.72
Used Equipment	199,494	2.67	262,819	2.39	92,476	1.75
Repair Parts	240,322	1.89	258,492	2.47	151,981	1.78
Other Lines	21,169	2.98	4,908	5.29	75,842	1.22
Rent or Lease	14,695	0.76	142,815	1.78	18,167	0.50
TOTAL INVENTORIES	**1,148,857**	**1.99**	**2,163,997**	**1.82**	**858,870**	**1.75**

PERSONNEL DATA			
Average Number of Employees per Dealer	13.30	20.00	11.60
Average Total Sales per Employee	204,203	241,875	161,770
Average Total Assets per Employee	117,023	141,494	97,579
Average Number of Salesmen — Including Owners	3.00	5.30	3.20
Average New and Used Sales per Salesman	591,895	602,023	382,441
Average Number of Partsmen	2.30	3.20	2.00
Average Parts Sales per Partsman	273,853	280,137	193,572
Average Number of Servicemen	5.90	8.40	4.50
Average Service Sales per Serviceman	37,429	43,236	26,786
Average Number of Office Employees	1.60	2.40	1.60
Average Number of Other Employees	0.50	0.70	0.30
Average Wage Rate of Top Mechanic	9.41	11.28	9.63
Average Wage Rate of Regular Mechanic	7.55	9.03	8.48
Average Shop Rate Charged Customers	27.00	34.17	27.82

Agricultural Dealer Operations and Balance Sheets
By Sales Volume Size

	VolGrp "A" $0-$1 Mil		VolGrp "B" $1 Mil-$2 Mil		VolGrp "C" $2 Mil-$3 Mil		VolGrp "D" $3 Mil and Over	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
SALES								
New Equipment	$ 280,760	39.74	$ 657,870	43.58	$1,115,348	44.73	$2,100,768	44.61
Used Equipment	106,802	15.12	260,796	17.28	517,978	20.78	1,066,367	22.64
Total New and Used	**387,562**	**54.86**	**918,665**	**60.85**	**1,633,326**	**65.51**	**3,167,135**	**67.25**
Repair Parts	240,632	34.06	434,848	28.81	585,306	23.48	981,887	20.85
Service Labor	66,186	9.37	131,349	8.70	209,035	8.38	367,868	7.81
Other Lines	8,768	1.24	16,785	1.11	56,449	2.26	156,881	3.33
Rental Lease Income	3,306	0.47	7,969	0.53	9,124	0.37	35,719	0.76
TOTAL SALES	**706,454**	**100.00**	**1,509,617**	**100.00**	**2,493,240**	**100.00**	**4,709,490**	**100.00**
MARGINS								
New Equipment	28,774	10.25	61,799	9.39	95,357	8.55	173,912	8.28
Used Equipment	14,646	13.71	24,445	9.37	39,928	7.71	62,605	5.87
Total New and Used	**43,420**	**11.20**	**86,244**	**9.39**	**135,285**	**8.28**	**236,517**	**7.47**
Repair Parts	73,383	30.50	124,146	28.55	159,163	27.19	268,504	27.35
Service Labor	29,195	44.11	59,981	45.67	91,986	44.01	174,866	47.53
Other Lines	1,307	14.91	3,036	18.09	7,499	13.28	19,280	12.29
Rental Lease Income	1,892	57.23	3,831	48.07	5,419	59.39	9,740	27.27
TOTAL OPERATING MARGIN	**149,197**	**21.12**	**277,238**	**18.36**	**399,352**	**16.02**	**708,907**	**15.05**
EXPENSES								
Salaries — Salesmen	11,497	1.63	24,213	1.60	37,998	1.52	74,783	1.59
Travel and Training	1,614	0.23	3,657	0.24	6,088	0.24	9,784	0.21
Advertising and Promotion	6,995	0.99	12,356	0.82	18,165	0.73	30,819	0.65
After Sales and Warranty Expense	1,937	0.27	6,159	0.41	14,187	0.57	28,185	0.60
TOTAL SALES EXPENSE	**22,043**	**3.12**	**46,385**	**3.07**	**76,438**	**3.07**	**143,571**	**3.05**
Salaries — Officers, Owners	18,527	2.62	31,097	2.06	44,046	1.77	75,784	1.61
Salaries Partsmen	15,654	2.22	30,288	2.01	40,454	1.62	71,341	1.51
Salaries Office and Others	9,158	1.30	16,608	1.10	22,148	0.89	37,530	0.80
Occupancy Expense	12,177	1.72	25,633	1.70	34,389	1.38	59,255	1.26
Heat, Light, Power, Water	4,259	0.60	6,973	0.46	8,680	0.35	13,748	0.29
Telephone and Telegraph	3,061	0.43	5,855	0.39	8,488	0.34	13,349	0.28
Office and Store Expense and Postage	5,477	0.78	12,846	0.85	16,261	0.65	25,876	0.55
Shop Supplies and Expense	4,154	0.59	7,057	0.47	10,014	0.40	17,799	0.38
Car and Truck Expense	7,882	1.12	14,220	0.94	22,421	0.90	36,799	0.78
Taxes — Except Payroll & Real Estate	1,776	0.25	3,456	0.23	5,237	0.21	6,056	0.13
Employee Benefits	15,553	2.20	30,820	2.04	42,967	1.72	74,517	1.58
Dues and Subscriptions	590	0.08	757	0.05	970	0.04	1,467	0.03
Insurance — Except Group & R.E.	9,892	1.40	14,984	0.99	19,891	0.80	30,154	0.64
Legal and Auditing	1,644	0.23	2,759	0.18	3,666	0.15	7,362	0.16
Interest & Bank Chgs — Except R.E.	8,677	1.23	17,308	1.15	27,166	1.09	42,898	0.91
Depreciation	5,084	0.72	10,261	0.68	16,684	0.67	26,701	0.57
Bad Debts	1,250	0.18	2,974	0.20	5,428	0.22	8,851	0.19
Contributions and Miscellaneous	1,166	0.17	1,337	0.09	2,306	0.09	4,014	0.09
TOTAL EXPENSE	**148,024**	**20.95**	**281,618**	**18.65**	**407,654**	**16.35**	**697,072**	**14.80**
NET PROFIT ON SALES	**1,173**	**0.17**	**(4,380)**	**(0.29)**	**(8,302)**	**(0.33)**	**11,835**	**0.25**
OTHER INCOME	**17,687**	**2.50**	**34,816**	**2.31**	**53,543**	**2.15**	**112,139**	**2.38**
NET OPERATING PROFIT OR LOSS – BEFORE INCOME TAXES –	**18,860**	**2.67**	**30,436**	**2.02**	**45,241**	**1.81**	**123,974**	**2.63**

	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
ASSETS								
Cash and Securities	$ 45,039	8.43	$ 77,706	7.60	$ 79,171	5.32	$ 125,128	5.07
Customer Receivables	35,137	6.58	75,781	7.41	114,017	7.66	214,089	8.67
Factory & Other Receivables	6,531	1.22	12,090	1.18	15,692	1.05	34,933	1.41
TOTAL	**86,707**	**16.23**	**165,577**	**16.20**	**208,880**	**14.03**	**374,150**	**15.15**
INVENTORIES								
New Equipment	228,711	42.82	442,061	43.25	654,619	43.98	1,062,462	43.01
Used Equipment	50,291	9.42	110,592	10.82	200,841	13.49	335,664	13.59
Repair Parts	100,016	18.73	180,273	17.64	246,122	16.54	344,173	13.93
Other Lines	3,773	0.71	6,402	0.63	23,788	1.60	39,485	1.60
Rental or Lease	2,137	0.40	8,516	0.83	3,490	0.23	32,097	1.30
TOTAL INVENTORIES	**384,928**	**72.07**	**747,844**	**73.16**	**1,128,860**	**75.85**	**1,813,881**	**73.43**
TOTAL CURRENT ASSETS	**471,635**	**88.30**	**913,421**	**89.36**	**1,337,740**	**89.88**	**2,188,031**	**88.58**
Fixed Assets	55,281	10.35	86,172	8.43	109,135	7.33	211,431	8.56
Finance Reserve and Other Assets	7,203	1.35	22,591	2.21	41,405	2.78	70,751	2.86
TOTAL ASSETS	**534,119**	**100.00**	**1,022,184**	**100.00**	**1,488,280**	**100.00**	**2,470,213**	**100.00**
LIABILITIES AND NET WORTH								
Current Accounts Payable and Accruals	28,175		71,802		117,791		246,199	
Floor Plan Notes Payable	229,363		452,933		723,338		1,185,465	
Notes Payable — Bank and Other	29,162		30,162		73,036		112,008	
Mortgages and Other Long Term Debt	46,969		95,179		149,917		254,653	
TOTAL LIABILITIES	**333,669**	**62.47**	**650,076**	**63.60**	**1,064,082**	**71.50**	**1,798,325**	**72.80**
Net Worth	200,450	37.53	372,108	36.40	424,198	28.50	671,888	27.20
TOTAL LIABILITIES AND NET WORTH	**534,119**		**1,022,184**		**1,488,280**		**2,470,213**	

Agricultural Dealers
Employee and Service Data/Inventory Turns — By Sales Volume Size

	VolGrp "A" $0-$1 Mil		VolGrp "B" $1 Mil-$2 Mil		VolGrp "C" $2 Mil-$3 Mil		VolGrp "D" $3 Mil and Over	
	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
EMPLOYEE AND SERVICE SHOP DATA								
No. of Employees*	6.50		9.60		13.00		19.20	
Sales per Employee	108,685		157,251		191,787		245,285	
Assets per Employee	82,172		106,477		114,483		128,656	
No. of Salesmen*	1.60		2.40		2.90		4.10	
New & Used Sales per S/M	242,226		382,777		563,215		772,471	
No. of Partsmen	1.10		1.80		2.30		3.40	
Parts Sales per P/M	218,756		241,582		254,480		288,790	
No. of Servicemen	2.70		4.00		5.90		8.70	
Service Sales per Sv/M	24,513		32,837		35,429		42,283	
No. of Office Employees	0.90		1.20		1.50		2.20	
No. of Other Employees	0.20		0.20		0.40		0.80	
Hourly Wage — Top Mech.	8.12		8.99		9.54		10.16	
Hourly Wage — Regular Mech	6.49		7.27		7.52		8.20	
Hourly Customer Svc Rate	23.86		25.91		27.02		29.07	
INVENTORIES		**Times Turn**		**Times Turn**		**Times Turn**		**Times Turn**
New Equipment	$228,711	1.10	$442,061	1.35	$ 654,619	1.56	$1,062,462	1.81
Used Equipment	50,291	1.83	110,592	2.14	200,841	2.38	335,664	2.99
Repair Parts	100,016	1.67	180,273	1.72	246,122	1.73	344,173	2.07
Other Lines	3,773	1.98	6,402	2.15	23,788	2.06	39,485	3.48
Rental/Lease Eqpt.	2,137	0.66	8,516	0.49	3,490	1.06	32,097	0.81
TOTAL INVENTORIES	**384,928**	**1.45**	**747,844**	**1.65**	**1,128,860**	**1.85**	**1,813,881**	**2.21**

A Study Of Successful Dealers of 1988

Dealers who were in the upper 25 percent in profitability in 1988 have been selected again for special study and analysis. While there is no way of determining HOW these dealers managed their businesses to earn approximately 5 percent on sales and 25 percent on their investment, the following common-size operating statements and balance sheets tell WHAT their accomplishments were.

These tables are presented in order that all dealers participating in the 1988 Cost of Doing Business Study will have an opportunity to compare their figures with the averages of the "best in the business" — by agricultural region. The regions are identified on the map of North America appearing on the front cover.

A study of the five graphs, one of which appears on this page, shows the wide differences between the ten regions of North America in sales volume, percent of margins, expenses, profits and return on investment.

Only one region in the U.S., the Lake States region, had less than 5 per cent net profit on sales in 1988 and this was close at 4.98 per cent. Three regions, Southeast, Middle Plains and Southern Plains/Delta showed average profits of over 6 per cent; and one region had over 7 percent. Returns on investment ranged from 22.27 percent in the Northern Plains to 34.12 percent in the Pacific region.

Canadian dealers did not fare so well in 1988 as the Western Canada region averaged 4.88 percent on sales while Eastern Canada averaged 4.54 percent. Return on investment was respectable as Western Canada averaged 27.21 percent and Eastern, 24.49.

SUCCESSFUL DEALERS OF 1988

Agricultural Dealer Operations and Balance Sheets By Region

	North-East Amount	North-East % Sales	South-East Amount	South-East % Sales	Corn Belt Amount	Corn Belt % Sales	Lake States Amount	Lake States % Sales
SALES								
New Equipment	$1,081,270	51.04	$ 791,433	50.56	$1,109,437	44.88	$1,018,651	43.06
Used Equipment	281,801	13.30	220,305	14.07	592,589	23.97	498,912	21.09
Total New and Used	**1,363,071**	**64.35**	**1,011,738**	**64.64**	**1,702,026**	**68.85**	**1,517,563**	**64.15**
Repair Parts	554,036	26.16	450,267	28.77	528,219	21.37	614,166	25.96
Service Labor	183,500	8.66	93,937	6.00	206,389	8.35	219,463	9.28
Other Lines	14,819	0.70	7,452	0.48	29,840	1.21	6,510	0.28
Rental Lease Income	2,845	0.13	1,914	0.12	5,532	0.22	8,032	0.34
TOTAL SALES	**2,118,271**	**100.00**	**1,565,308**	**100.00**	**2,472,056**	**100.00**	**2,365,734**	**100.00**
MARGINS								
New Equipment	133,051	12.31	82,158	10.38	108,851	9.81	90,756	8.91
Used Equipment	33,988	12.06	27,609	12.53	48,171	8.13	59,050	11.84
Total New and Used	**167,039**	**12.25**	**109,767**	**10.85**	**157,022**	**9.23**	**149,806**	**9.87**
Repair Parts	159,313	28.75	133,912	29.74	154,284	29.21	172,948	28.16
Service Labor	102,388	55.80	42,091	44.81	106,788	51.74	110,015	50.13
Other Lines	1,352	9.12	818	10.98	5,695	19.09	3,020	46.39
Rental Lease Income	1,480	52.02	(216)	(11.29)	3,417	61.77	5,192	64.64
TOTAL OPERATING MARGIN	**431,572**	**20.37**	**286,372**	**18.29**	**427,206**	**17.28**	**440,981**	**18.64**
EXPENSES								
Salaries — Salesmen	36,398	1.72	18,867	1.21	32,585	1.32	32,453	1.37
Travel and Training	2,796	0.13	2,384	0.15	3,947	0.16	4,763	0.20
Advertising and Promotion	15,892	0.75	7,721	0.49	17,104	0.69	13,648	0.58
After Sales and Warranty Expense	12,319	0.58	6,084	0.39	11,172	0.45	11,245	0.48
TOTAL SALES EXPENSE	**67,405**	**3.18**	**35,056**	**2.24**	**64,808**	**2.62**	**62,109**	**2.63**
Salaries — Officers, Owners	50,892	2.40	33,309	2.13	38,947	1.58	42,104	1.78
Salaries Partsmen	30,925	1.46	29,680	1.90	32,369	1.31	45,061	1.90
Salaries Office and Others	20,074	0.95	13,156	0.84	16,686	0.67	18,342	0.78
Occupancy Expense	30,754	1.45	15,853	1.01	30,350	1.23	28,448	1.20
Heat, Light, Power, Water	8,125	0.38	5,557	0.36	8,109	0.33	7,437	0.31
Telephone and Telegraph	5,635	0.27	5,170	0.33	5,583	0.23	6,899	0.29
Office and Store Expense and Postage	10,908	0.51	9,911	0.63	11,396	0.46	14,396	0.61
Shop Supplies and Expense	9,726	0.46	5,926	0.38	8,775	0.35	9,638	0.41
Car and Truck Expense	18,416	0.87	11,247	0.72	18,796	0.76	19,149	0.81
Taxes — Except Payroll & Real Estate	4,492	0.21	4,305	0.28	4,793	0.19	2,902	0.12
Employee Benefits	43,308	2.04	25,338	1.62	38,006	1.54	43,459	1.84
Dues and Subscriptions	801	0.04	541	0.03	953	0.04	1,577	0.07
Insurance — Except Group & R.E.	20,175	0.95	16,500	1.05	21,632	0.88	19,692	0.83
Legal and Auditing	3,669	0.17	1,794	0.11	3,369	0.14	3,903	0.16
Interest & Bank Chgs — Except R.E.	12,507	0.59	8,095	0.52	14,415	0.58	11,505	0.49
Depreciation	14,079	0.66	7,209	0.46	11,125	0.45	12,713	0.54
Bad Debts	1,129	0.05	954	0.06	2,341	0.09	2,377	0.10
Contributions and Miscellaneous	2,549	0.12	1,491	0.10	1,509	0.06	3,222	0.14
TOTAL EXPENSE	**355,569**	**16.79**	**231,092**	**14.76**	**333,962**	**13.51**	**354,933**	**15.00**
NET PROFIT ON SALES	**76,003**	**3.59**	**55,280**	**3.53**	**93,244**	**3.77**	**86,048**	**3.64**
OTHER INCOME	**46,588**	**2.20**	**44,974**	**2.87**	**44,845**	**1.81**	**31,746**	**1.34**
NET OPERATING PROFIT OR LOSS – BEFORE INCOME TAXES –	**122,591**	**5.79**	**100,254**	**6.40**	**138,089**	**5.59**	**117,794**	**4.98**

	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
ASSETS								
Cash and Securities	$ 83,089	6.99	$ 161,596	15.38	$ 108,564	8.84	$ 121,194	9.19
Customer Receivables	98,656	8.30	100,112	9.53	84,607	6.89	105,550	8.00
Factory & Other Receivables	10,001	0.84	5,437	0.52	5,705	0.46	8,628	0.65
TOTAL	**191,746**	**16.13**	**267,145**	**25.43**	**198,876**	**16.19**	**235,372**	**17.85**
INVENTORIES								
New Equipment	519,603	43.70	494,109	47.04	513,355	41.78	577,322	43.78
Used Equipment	76,613	6.44	58,784	5.60	146,147	11.90	154,370	11.71
Repair Parts	179,777	15.12	144,476	13.75	204,063	16.61	222,680	16.89
Other Lines	5,583	0.47	10,279	0.98	21,528	1.75	8,289	0.63
Rental or Lease	2,595	0.22		0.00	1,988	0.16	1,565	0.12
TOTAL INVENTORIES	**784,171**	**65.96**	**707,648**	**67.36**	**887,081**	**72.20**	**964,226**	**73.12**
TOTAL CURRENT ASSETS	**975,917**	**82.09**	**974,793**	**92.79**	**1,085,957**	**88.39**	**1,199,598**	**90.97**
Fixed Assets	172,196	14.48	52,496	5.00	96,778	7.88	79,821	6.05
Finance Reserve and Other Assets	40,785	3.43	23,223	2.21	45,889	3.73	39,242	2.98
TOTAL ASSETS	**1,188,898**	**100.00**	**1,050,512**	**100.00**	**1,228,624**	**100.00**	**1,318,661**	**100.00**
LIABILITIES AND NET WORTH								
Current Accounts Payable and Accruals	88,559		44,678		107,158		111,311	
Floor Plan Notes Payable	466,640		467,758		526,864		618,381	
Notes Payable — Bank and Other	58,236		16,267		61,505		9,611	
Mortgages and Other Long Term Debt	140,217		59,387		70,201		80,132	
TOTAL LIABILITIES	**753,652**	**63.39**	**588,090**	**55.98**	**765,728**	**62.32**	**819,435**	**62.14**
Net Worth	435,246	36.61	462,422	44.02	462,896	37.68	499,226	37.86
TOTAL LIABILITIES AND NET WORTH	**1,188,898**		**1,050,512**		**1,228,624**		**1,318,661**	

SUCCESSFUL DEALERS OF 1988

Northern Plains		Middle Plains		Southern Plains/Delta		Pacific		Western Canada		Eastern Canada	
Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales	Amount	% Sales
$ 699,510	37.41	$ 963,919	40.52	$1,134,427	43.35	$3,023,558	46.44	$1,718,296	42.27	$1,281,047	50.18
355,395	19.86	528,758	22.23	381,556	14.58	987,203	15.16	1,046,695	25.75	562,472	22.03
1,324,905	**57.27**	**1,492,677**	**62.75**	**1,515,983**	**57.93**	**4,010,761**	**61.61**	**2,764,991**	**68.02**	**1,843,519**	**72.21**
567,049	31.69	608,275	25.57	891,016	34.05	1,408,855	21.64	744,862	18.32	486,072	19.04
177,395	9.91	196,258	8.25	197,185	7.53	558,263	8.57	235,112	5.78	187,140	7.33
10,232	0.57	74,206	3.12	2,287	0.09	234,264	3.60	306,456	7.54	8,316	0.33
10,055	0.56	7,262	0.31	10,601	0.41	298,213	4.58	13,596	0.33	28,023	1.10
1,789,636	**100.00**	**2,378,678**	**100.00**	**2,617,072**	**100.00**	**6,510,356**	**100.00**	**4,065,017**	**100.00**	**2,553,070**	**100.00**
83,193	12.43	68,293	7.08	129,429	11.41	472,356	15.62	150,652	8.77	140,588	10.97
43,129	12.14	70,506	13.33	42,675	11.18	157,881	15.99	112,260	10.73	35,585	6.33
126,322	**12.33**	**138,799**	**9.30**	**172,104**	**11.35**	**630,237**	**15.71**	**262,912**	**9.51**	**176,173**	**9.56**
170,088	30.00	168,892	27.77	262,886	29.50	415,959	29.52	180,201	24.19	157,299	32.36
94,989	53.55	92,757	47.26	91,888	46.60	287,517	51.50	99,311	42.24	75,454	40.32
1,784	17.44	9,466	12.76	319	13.95	85,865	36.65	22,750	7.42	(342)	(4.11)
3,341	33.23	5,037	69.36	4,584	43.24	55,819	18.72	9,044	66.52	15,767	56.26
396,524	**22.16**	**414,951**	**17.44**	**531,781**	**20.32**	**1,475,397**	**22.66**	**574,218**	**14.13**	**424,351**	**16.62**
35,246	1.97	30,448	1.28	58,162	2.22	127,949	1.97	58,834	1.45	38,276	1.50
6,852	0.38	4,083	0.17	5,171	0.20	10,852	0.17	8,606	0.21	2,429	0.10
13,726	0.77	13,306	0.56	9,106	0.35	44,825	0.69	22,412	0.55	15,193	0.60
8,625	0.48	13,069	0.55	19,253	0.74	42,528	0.65	15,812	0.39	9,301	0.36
64,449	**3.60**	**60,906**	**2.56**	**91,692**	**3.50**	**226,154**	**3.47**	**105,664**	**2.60**	**65,199**	**2.55**
41,185	2.30	31,427	1.32	44,732	1.71	133,429	2.05	64,155	1.58	28,992	1.14
38,304	2.14	39,875	1.68	42,797	1.64	122,042	1.87	47,779	1.18	31,370	1.23
18,345	1.03	15,897	0.67	25,129	0.96	62,784	0.96	27,441	0.68	25,508	1.00
27,272	1.52	29,142	1.23	31,974	1.22	87,680	1.35	41,299	1.02	31,045	1.22
7,676	0.43	6,393	0.27	9,363	0.36	17,780	0.27	9,122	0.22	7,669	0.30
7,884	0.44	6,647	0.28	8,971	0.34	16,714	0.26	10,138	0.25	10,286	0.40
18,043	1.01	13,322	0.56	19,954	0.76	38,434	0.59	21,625	0.53	17,513	0.69
6,899	0.39	9,922	0.42	6,670	0.25	32,043	0.49	15,136	0.37	6,563	0.26
16,303	0.91	18,584	0.78	18,283	0.70	45,873	0.70	27,945	0.69	26,296	1.03
7,587	0.42	6,044	0.25	5,145	0.20	8,536	0.13	2,770	0.07	5,953	0.23
37,038	2.07	39,097	1.64	54,450	2.08	149,517	2.30	27,805	0.68	18,803	0.74
827	0.05	929	0.04	1,114	0.04	1,625	0.02	690	0.02	339	0.01
17,062	0.95	16,040	0.67	25,448	0.97	40,965	0.63	13,007	0.32	10,488	0.41
4,606	0.26	2,899	0.12	5,382	0.21	13,636	0.21	3,547	0.09	4,525	0.18
14,945	0.84	13,405	0.56	21,198	0.81	74,902	1.15	25,441	0.63	27,370	1.07
9,641	0.54	10,119	0.43	17,431	0.67	56,572	0.87	12,221	0.30	9,920	0.39
3,181	0.18	4,218	0.18	2,176	0.08	8,844	0.14	5,927	0.15	3,738	0.15
1,503	0.08	2,026	0.09	1,675	0.06	6,676	0.10	2,015	0.05	2,083	0.08
342,750	**19.15**	**326,892**	**13.74**	**433,584**	**16.57**	**1,144,206**	**17.58**	**463,727**	**11.41**	**333,660**	**13.07**
53,774	**3.00**	**88,059**	**3.70**	**98,197**	**3.75**	**333,191**	**5.09**	**110,491**	**2.72**	**90,691**	**3.55**
37,416	**2.09**	**55,182**	**2.32**	**66,153**	**2.53**	**135,816**	**2.09**	**87,695**	**2.16**	**25,234**	**0.99**
91,190	**5.10**	**143,241**	**6.02**	**164,350**	**6.28**	**467,007**	**7.17**	**198,186**	**4.88**	**115,925**	**4.54**

Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets	Amount	% Total Assets
92,967	6.98	101,585	8.30	143,729	10.47	190,105	5.07	209,305	8.54	29,700	2.12
104,783	7.87	93,679	7.66	177,485	12.93	609,971	16.27	100,943	4.12	126,627	9.02
12,597	0.95	11,188	0.91	20,566	1.50	59,797	1.60	50,549	2.06	14,805	1.05
210,347	**15.79**	**206,452**	**16.87**	**341,780**	**24.91**	**859,873**	**22.94**	**360,797**	**14.72**	**171,132**	**12.19**
601,174	45.14	436,426	35.67	493,772	35.98	1,475,151	39.36	1,098,450	44.81	563,911	40.16
156,401	11.74	125,454	10.25	114,926	8.38	270,231	7.21	378,053	15.42	271,412	19.33
224,901	16.89	244,113	19.95	237,492	17.31	468,590	12.50	302,224	12.33	218,974	15.59
3,011	0.23	10,269	0.84	35,525	2.59	73,756	1.97	73,010	2.98	3,112	0.22
30,909	2.32	0	0.00	0	0.00	225,128	6.01	20,424	0.83	26,129	1.86
1,016,396	**76.32**	**816,262**	**66.71**	**881,715**	**64.25**	**2,512,856**	**67.04**	**1,872,161**	**76.38**	**1,083,538**	**77.16**
1,226,743	**92.11**	**1,022,714**	**83.59**	**1,223,495**	**89.16**	**3,372,729**	**89.99**	**2,232,958**	**91.10**	**1,254,670**	**89.35**
62,988	4.73	139,287	11.38	133,259	9.71	286,373	7.64	190,142	7.76	126,358	9.00
42,053	3.16	61,535	5.03	15,486	1.13	88,970	2.37	27,983	1.14	23,210	1.65
1,331,784	**100.00**	**1,223,536**	**100.00**	**1,372,240**	**100.00**	**3,748,072**	**100.00**	**2,451,083**	**100.00**	**1,404,238**	**100.00**
91,536		107,941		105,455		557,012		157,068		102,941	
663,268		462,252		539,043		1,283,138		1,265,225		598,764	
48,845		22,141		55,237		270,188		91,093		67,044	
118,752		152,092		158,417		268,929		209,359		162,036	
922,401	**69.26**	**744,426**	**60.84**	**858,152**	**62.54**	**2,379,267**	**63.48**	**1,722,745**	**70.29**	**930,785**	**66.28**
409,383	30.74	479,110	39.16	514,088	37.46	1,368,805	36.52	728,338	29.71	473,453	33.72
1,331,784		**1,223,536**		**1,372,240**		**3,748,072**		**2,451,083**		**1,404,238**	

SUCCESSFUL DEALERS OF 1988

Agricultural Dealers
Employee and Service Data/Inventory Turns — By Region

	North-East	South-East	Corn Belt	Lake States
EMPLOYEE AND SERVICE SHOP DATA				
No. of Employees*	10.80	9.50	11.00	10.60
Sales per Employee	$196,136	$164,769	$224,727	$223,182
Assets per Employee	$110,083	$110,580	$111,693	$124,401
No. of Salesmen*	2.10	1.90	2.50	2.50
New & Used Sales per S/M	$649,081	$532,493	$680,810	$607,025
No. of Partsmen	1.80	2.20	1.80	2.10
Parts Sales per P/M	$307,797	$204,666	$293,455	$292,460
No. of Servicemen	5.30	4.00	5.20	4.80
Service Sales per Sv/M	$34,622	$23,484	$39,690	$45,721
No. of Office Employees	1.50	1.10	1.30	0.90
No. of Other Employees	0.10	0.30	0.20	0.30
Hourly Wage — Top Mech.	$8.27	$8.40	$8.50	$9.14
Hourly Wage — Regular Mech.	$6.71	$6.29	$6.73	$7.57
Hourly Customer Svc Rate	$22.38	$23.92	$24.68	$24.89

	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn	Amount	Times Turn
INVENTORIES — TIMES TURNOVER								
New Equipment	$519,603	1.82	$494,109	1.44	$513,355	1.95	$577,322	1.61
Used Equipment	76,613	3.23	58,784	3.28	146,147	3.73	154,370	2.85
Repair Parts	179,777	2.20	144,476	2.19	204,063	1.83	222,680	1.98
Other Lines	5,583	2.41	10,279	0.65	21,528	1.12	8,289	0.42
Rent/Lease Eqpt.	2,595	0.53	0	0.00	1,988	1.06	1,565	1.81
Total Inventory	**784,171**	**2.15**	**707,648**	**1.81**	**887,081**	**2.31**	**964,226**	**2.00**
Ownership Equity	36.61 %		44.02 %		37.68 %		37.86 %	
Turnover of Total Assets	1.78 TIMES		1.49 TIMES		2.01 TIMES		1.79 TIMES	
Return on Total Assets	10.31 %		9.54 %		11.24 %		8.93 %	
Return on Net Worth	28.17 %		21.68 %		23.83 %		23.60 %	

FIG. 7
SUCCESSFUL DEALERS
Average Gross Margins
By Agricultural Region

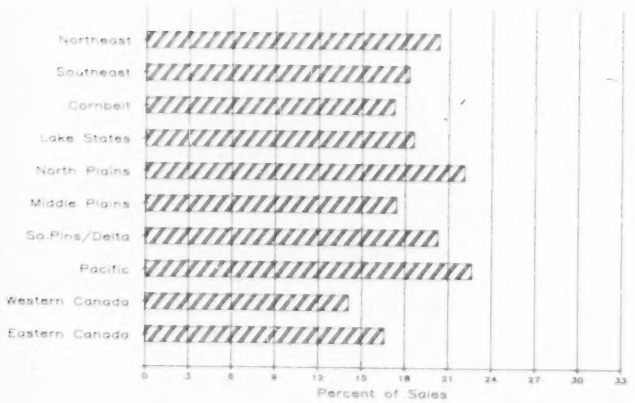
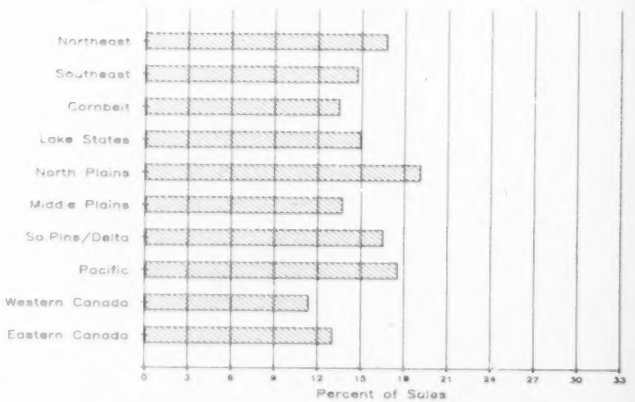


FIG. 8
SUCCESSFUL DEALERS
Average Expenses
By Agricultural Region



SUCCESSFUL DEALERS OF 1988

Northern Plains		Middle Plains		Southern Plains/Delta		Pacific		Western Canada		Eastern Canada	
11.70		13.60		13.70		29.50		13.70		11.40	
$152,960		$174,902		$191,027		$220,690		$296,716		$223,953	
$113,827		$89,965		$100,163		$127,053		$178,911		$123,178	
2.80		2.60		3.00		6.80		3.20		3.20	
$366,037		$574,106		$505,327		$589,817		$864,059		$576,099	
2.10		2.50		3.00		4.70		2.20		1.70	
$270,023		$243,310		$297,005		$299,756		$338,573		$285,924	
5.20		6.70		5.60		13.50		5.70		4.70	
$34,114		$29,292		$35,211		$41,352		$41,247		$39,817	
1.30		1.50		1.50		3.70		1.80		1.40	
0.30		0.30		0.60		0.80		0.80		0.40	
$8.51		$8.82		$8.75		$11.28		$12.49		$11.29	
$7.16		$6.70		$6.64		$8.89		$10.13		$9.31	
$24.63		$24.78		$26.37		$28.13		$34.05		$28.56	
Amount	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**	**Amount**	**Times Turn**
601,174	0.98	436,426	2.05	493,772	2.04	1,475,151	1.73	1,098,450	1.43	563,911	2.02
156,401	2.00	125,454	3.65	174,926	2.95	270,231	3.07	378,053	2.47	271,412	1.94
224,901	1.77	244,113	1.80	237,492	2.64	468,590	2.12	302,224	1.87	218,974	1.50
3,011	2.81	10,269	6.30	35,525	0.06	73,756	2.01	73,010	3.89	3,112	2.78
30,909	0.22	0	0.00	0	0.00	225,128	1.08	20,424	0.22	26,129	0.47
1,016,396	**1.37**	**816,262**	**2.41**	**881,715**	**2.37**	**2,512,856**	**2.00**	**1,872,161**	**1.86**	**1,083,538**	**1.96**
30.74 %		39.16 %		37.46 %		36.52 %		29.71 %		33.72 %	
1.34 TIMES		1.94 TIMES		1.91 TIMES		1.74 TIMES		1.66 TIMES		1.82 TIMES	
6.85 %		11.71 %		11.98 %		12.46 %		8.09 %		8.26 %	
22.27 %		29.90 %		31.97 %		34.12 %		27.21 %		24.49 %	

FIG. 9
SUCCESSFUL DEALERS
Average Net Profit
By Agricultural Region

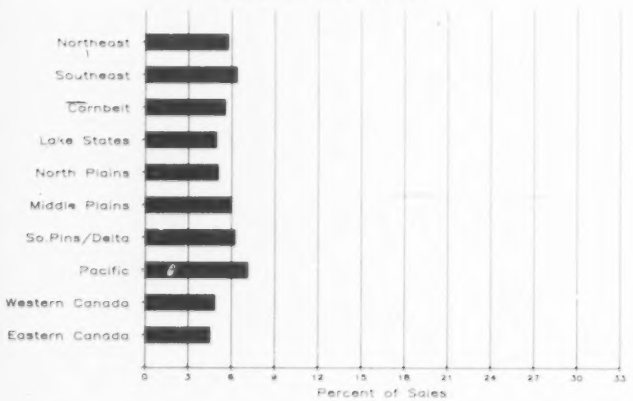
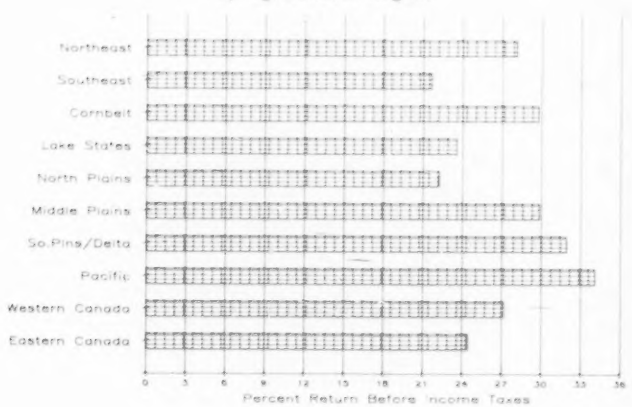


FIG. 10
SUCCESSFUL DEALERS
Average Return on Investment
By Agricultural Region



COMPARATIVE ANALYSIS FORM

	Amount	% Sales	Amount	% Sales
Sales:				
New Equipment	$		$	
Used Equipment				
Repair Parts				
Service Labor				
Other Lines				
Total Sales	$		$	
Cost of Sales:				
New Equipment	$		$	
Used Equipment				
Repair Parts				
Service Labor				
Other Lines				
Total Cost	$		$	
Margins:				
New Equipment	$		$	
Used Equipment				
Repair Parts				
Service Labor				
Other Lines				
Total Margin	$		$	
EXPENSES				
Selling Expenses:				
Salaries, Salesmen	$		$	
Travel and Training				
Advertising, Prom, Demos				
After Sales and Warr Exp				
TOTAL SELLING EXPENSE	$		$	
Salaries — Off/Owners				
Salaries — Partsmen				
Office and Other				
Rent or Occupancy				
Heat, Lt, Pwr, Water				
Telephone				
Office/Store Exp, Pstg				
Shop Suppl & Exp				
Car, Truck & Veh Exp				
Taxes — Except P/R & RE				
P/R Taxes & Empl Bene				
Dues and Publications				
Insurance — Except Grp & RE				
Legal and Auditing				
Interest Expense				
Deprec — Equip & Veh Only				
Bad Debts				
Contributions and Misc				
TOTAL EXPENSE	$		$	
NET PROFIT ON SALES	$		$	
Other Income/Deductions				
NET PROFIT/LOSS	$		$	

TEN IMPORTANT FINANCIAL AND OPERATING RATIOS

Financial records, carefully maintained, provide dealers with the only sound measuring device for business success. They help to measure the ability of their business to generate profits and to meet claims against it. They provide the basis, also, for isolating the business' strengths and weaknesses and may, through analysis, suggest how best to plan for profits and to maintain solvency.

With this in mind, the following ratios have been developed from year-end operating statements and balance sheets submitted by dealers in the current studies. Dealers having adequate records will find comparison of these ratios most revealing and helpful.

CURRENT RATIO

Figure by dividing Current Assets by Current Liabilities.

This ratio compares the total of cash and the items which will be converted into cash, with debts which must be paid soon. Thus, the ratio reflects ability to handle current debts.

A ratio of 2.00 to 1 ($2.00 of Current Assets for each $1.00 of Current Liabilities) is considered satisfactory. When the ratio falls below 2.00 to 1, creditors have a greater interest in Current Assets than the owner.

EMPLOYEE STUDIES

In the space provided on page 10, enter the number of employees in each category as applicable for your business. Then calculate the average sales per employee by dividing the applicable sales amount by the number of employees for each category.

Comparison of your sales per employee in each category to the averages is the first step in measuring employee efficiency. The next step is to compare your current year figures to previous years.

OWNERSHIP EQUITY

Figure by dividing Net Worth by Total Assets.

Ownership Equity is shown on the "Net Worth" line of the balance sheet in the column headed "% Total Assets".

This ratio shows how much of the business is proprietor-owned; and conversely, by subtracting the percentage from 100 percent, it shows how much of the business is financed by outside capital (creditors).

When Net Worth is less than 50 percent of Total Assets, creditors have a greater interest in the assets than proprietors.

RECEIVABLES TURNOVER

Figure by dividing the total of Repair Parts and Service Sales by Accounts Receivable.

The turnover rate is meaningful when customer receivables are related to the corresponding customer sales of the dealership. Since internal sales of parts and labor have not been separated from customer sales in this survey, turnover is not calculated.

This ratio shows whether or not receivables are in proportion to amount of business transacted and might be used every month to good advantage. Divide sales year-to-date by receivables and compare with ratio for same period in past two or three years. Unfavorable trends can thus be detected.

NET WORKING CAPITAL TURNOVER

Net Working Capital is determined by subtracting Current Liabilities from Current Assets.

Rate of turnover is figured by dividing Sales by Net Working Capital.

How many times Net Working Capital turns over in a year in Sales is a good measure of activity for any business. It is a sensitive indicator of overtrading or undertrading; and as such, it is a good test of the adequacy of Net Working Capital for the scale of operations of the firm.

When this ratio is too high, it will usually be found that the dealership is short of cash and heavy on receivables and paid-for inventory. This situation promotes borrowing or sale of equipment at a loss to meet payroll and other fixed obligations. When it is too low, inefficient use of capital in the dealership is indicated. It is usually attended by a pile-up of receivables or inventory or cash, or a combination of these, in excess of the needs of the business.

INVENTORY TO NET WORKING CAPITAL

Figure by dividing Inventory by Net Working Capital.

This ratio for most dealers in the farm and power equipment industry is extremely high because first, inventories are characteristically heavy and represent a major portion of Total Current Assets; and second, because of the heavy financing of whole goods.

In most other retail lines, inventory requirements are relatively smaller and supplier credit terms are shorter.

TURNOVER OF TOTAL ASSETS

Figure by dividing Sales by Total Assets.

The importance of this ratio is illustrated in the question of why a dealership with $750,000 of Total Assets achieves Total Sales of $1,500,000 while another with an equal amount of assets achieves a Total Sales volume of only $1,000,000. The first would seem to be more efficient in its use of assets.

However, a high rate of turnover is not necessarily the key to profits. As in the ratio, Sales to Net Working Capital, high turnover may be an indicator of inadequate capital in relation to sales volume. Also, high usage of rental property by a dealer usually results in a high rate of turnover.

RETURN ON ASSETS

Figure by dividing Net Profit by Total Assets.

This ratio, too, is an important test of operating efficiency. It is a test of the quality of management in the utilization of the assets in the business. It lays aside all problems related to the source of funds, whether such funds are obtained from capital investment, borrowings, or purchases on credit. It shows the return on total capital invested in the business (owner capital plus outside capital), which is represented by Total Assets.

RETURN ON NET WORTH

Figure by dividing Net Profit by Net Worth.

In using this ratio, it is important that a fair salary for the owner be included in operating expenses of the business. The owner's time is certainly worth something; therefore, all Net Profit ratios should be based upon the profit *after* this salary is paid or taken into consideration in the figuring. Adequacy of profit must be measured in the light of current returns on money in the investment market, as well as compensation for risk.

INVENTORY TURNOVER

Figure by dividing Cost of Sales by Inventory.

Cost of Sales figures are not reported in this study but may be figured, if needed, by subtracting Margin from the corresponding Sales.

This ratio shows the number of times Inventory is bought and sold during the year, reflected in "turnover" in the balance sheet studies.

ASSOCIATIONS SERVING DEALERS IN NORTH AMERICA

Alabama Farm & Power Equip. Dealers Assoc., Inc.
P.O. Box 431, Luverne, Al 36049
Phone: (205) 335-5627
Exec. V. P. Edward L. Turner Jr.

Carolinas Equip. Dirs. Assoc., Inc.
211 Broad St., Wilson, NC 27893
Phone: (919) 291-0560
Exec. V. P. Edward Biggs

Deep South Equip Dealers Assoc., Inc.
550 Lakeland Dr.
Baton Rouge, LA 70821-1191
Phone: (504) 383-5064
Exec. V. P. Jimmy Dillon, CAE

Far West Equip. Dealers Assoc.
1601 N. Main St., Ste. 202
Walnut Creek, CA 94596
Phone: (415) 934-4451
Exec. V. P. & Manager Ben Sweeney

Illinois Retail Farm Equip. Assoc.
3500 N.E. Adams St.
Peoria, IL 61603
Phone: (309) 688-6676
Exec. V. P. Victor Zoschak

Indiana Implement Dealers Assoc.
9800 Association Ct.
Indianapolis, IN 46280
Phone: (317) 844-5259
Exec. V. P. David Lucy

Iowa-Nebraska Farm Equip Assoc., Inc.
1311 50th St., P.O. Box 65840
West Des Moines, IA 50265-0840
Phone: (515) 223-5119
Exec. V. P. Dennis Schwitters

Kentucky Farm & Power Equip. Dealers Assoc., Inc.
10877 Watson Rd., Ste. 300
St. Louis, MO 63127
Phone: (314) 966-5757
Attn: Jack Bennings, CAE

Mid-Atlantic Equipment Dealers Assoc.
2400 Valley Ave., Room 3
Winchester, VA 22601
Phone: (703) 667-6123
Exec. V. P. John Shaw Jr.

Michigan Equip. Dealers Assoc.
5127 Aurelius Road, Lansing, MI 48909
Phone: (517) 393-0600
Exec. V. P. Richard Ahti

Mid-South Farm Equip. Assoc.
P.O. Box 17777
Memphis, TN 38187-0777
Phone: (901) 756-1336
Exec. V. P./CEO Mike Caraway

Farm Equip. Assoc. (of MN-SD)
121 E. Park Square
Owatonna, MN 55060
Phone: (507) 451-1136
President William Ryden

Mississippi Valley Equip. Assoc.
10877 Watson Rd., Ste. 300
St. Louis, MO 63127
Phone: (314) 966-5757
Exec. V. P. Jack Bennings, CAE

Montana Hardware & Implement Assoc.
P. O. Box 440
Helena, MT 59624
Phone: (406) 442-3388
Exec. V. P. Charles Brooks

Mountain States Hardware & Implement Assoc.
1380 Carr Street
Lakewood, CO 80215
Phone: (303) 233-2101
Managing Director John Zapor

New England Equipment Dealers Assoc., Inc.
P.O. Box 895
Concord, NH 03302-0895
Phone: (603) 225-5510
Mgr. Dir. George (Mike) Becker

New York Equipment Dealers Assoc., Inc.
128 Metropolitan Park Dr.
Liverpool, NY 13088
Phone: (315) 457-0314
Exec. V. P. Richard (Rick) McQuatters

N. Dakota Implement Dirs. Assoc.
P. O. Box 2524
Fargo, ND 58108
Phone: (701) 293-6822
Exec. V. P. Robert Lamp

Ohio Assoc. of Farm & Power Equip. Retailers
P. O. Box 68
Dublin, OH 43017
Phone: (614) 889-1309
Exec. V. P. Dave Kahler

Pacific Northwest Hardware & Implement Assoc.
333 S.W. 5th Ave., Rm. 606
Portland, OR 97204
Phone: (503) 226-1641
Exec. V. P. Bill Cross

Penn-Jersey Farm & Power Equip. Dealers Assoc.
4605 Locust Lane
Harrisburg, PA 17109-4494
Phone: (717) 545-2381 or 545-3120
Exec. Director Art Smith

Southeastern Farm & Power Equip. Assoc., Inc.
428 Academy Ave.,
Dublin, GA 31021
Phone: (912) 272-5400
Exec. Director Billy Adams

Southern Association
1822 DeBarry Ave.
Orange Park, FL 32073
Phone: (904) 264-7525
Exec. V. P. Robert Ricker

Southwest Association
4629 Mark IV Parkway
Ft. Worth, TX 76106
Phone: (817) 625-5562
Exec. V. P. Allen Murfin, CAE

Virginia Farm & Industrial Equip. Dealers Assoc.
10806 Trade Rd., Southport Ind. Park
Richmond, VA 23236
Phone: (804) 379-2099
Exec. V. P. David Ottaway, CAE

Western Association
P. O. Box 419264
Kansas City, MO 64141
Phone: (816) 561-5323
CEO Jeffrey Flora

Wisconsin Farm Equip. Assoc.
P. O. Box 4364, Madison, WI 53711
Phone: (608) 273-2900
Exec. V. P. Terry Willborn

Farm Equip. Dealers' Assoc. of Alberta-British Columbia
2921 - 15th St., N.E.
Calgary, Alberta, Canada T2E 7L8
Phone: (403) 250-7581
Exec. Manager William J. Lipsey

Ontario Retail Farm Equip. Dealers' Assoc.
Box 430, 64 Temperance St.
Aurora, Ontario, Canada L4G 3L5
Phone: (416) 841-6888
Executive V. P. Glen Peart

Assoc. Des Marchands De Machines Aratoires De La Province De Quebec
P. O. Box 590
Bedford, Quebec, Canada J0J 1A0
Phone: (514) 248-7946
Executive Director Rene Maurice

Saskatchewan Manitoba Implement Dealers Assoc.
366 A Edson St./Sub P.O. 18
Saskatoon, Saskatchewan
Canada S7H 0Y0
Phone: (306) 934-0408
Secretary -Manager Edgar Roberts

in cooperation with
NORTH AMERICAN EQUIPMENT DEALERS ASSOCIATION
10877 Watson Road **314/821-7220** **St. Louis, Missouri 63127-1081**